California Community Health Centers

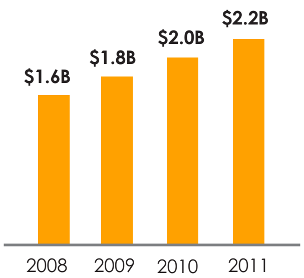
Organizational Factors Impacting Financial Performance

This study, prepared by Capital Link with funding from Blue Shield of California Foundation, was conducted to better understand the financial health of the California community health center safety net and factors that may positively influence the development of high performing health centers. The research also developed a framework for grouping health centers by similar operational characteristics to enable benchmarking and sharing of best practices. This infographic illustrates selected performance highlights of Federally Qualified Health Centers and Look-Alike Health Centers in California. A full profile of all types of community health centers is presented in the complete report.

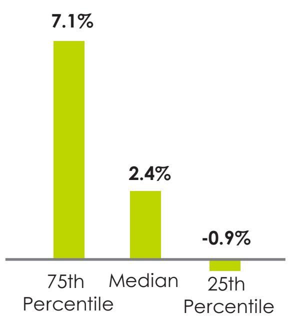
Financial Profile

Over the four year study period (2008-2011), health centers continued to demonstrate strong growth but had tight margins. Federally Qualified Health Centers and Look-Alike Health Centers outperformed other types.

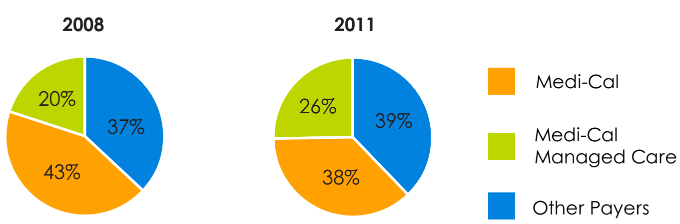
Operating Revenue Growth of 33%



Tight Operating Margins with 25% of Health Centers Vulnerable



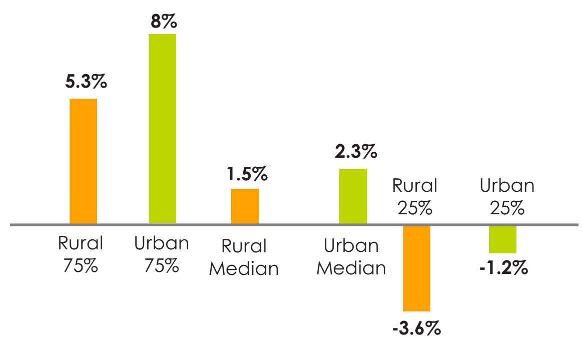
Medi-Cal revenue continued to comprise 63-64% of Net Patient Revenue for all community health centers, but shifted towards Medi-Cal managed care.



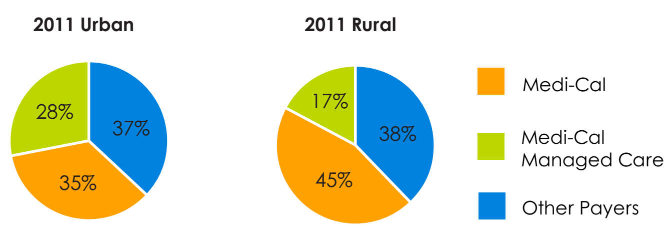
Location

Urban health centers earned higher margins. Rural health centers spent 2% more on salary-related expenses, which affected margins negatively. Rural health centers had less cash reserves than urban health centers, with 20 fewer days cash on hand at the median. 1 in 4 rural health centers operated with 12 days cash reserves or less.

2008-2011 Average Operating Margins



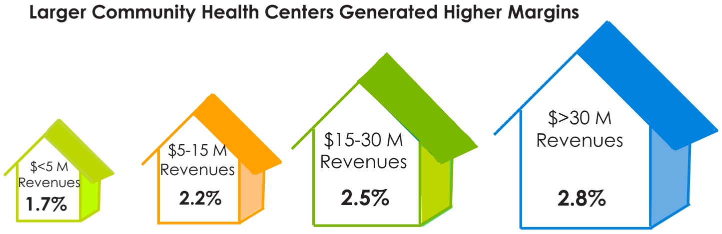
Rural and urban health centers had similar proportions of patient revenue from Medi-Cal. However, rural health centers earned less Medi-Cal revenue from managed care programs. Patient revenue covered a lower percentage of costs for rural health centers (65%) than for urban (67%).



Size

Larger community health centers generally outperformed smaller ones. This was true whether size was measured by revenues, number of employees or patients, or other metrics.

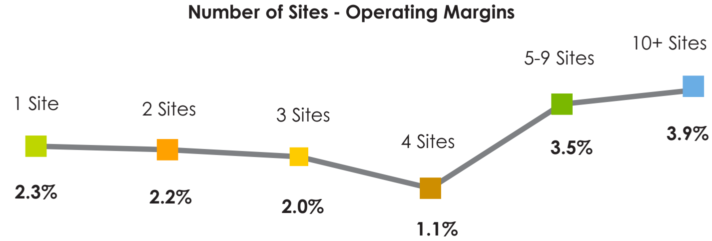
Larger Community Health Centers Generated Higher Margins



Number of Sites

Once a health center organization grew to three or four sites, operating margins began to slip. Health centers with five to nine sites had healthier margins while health centers with 10 or more sites enjoyed even stronger operating performance.

Number of Sites - Operating Margins



Patient and Payer Mix

Community health centers with a higher portion of patients under 100% of the Federal Poverty Level (FPL) had stronger financial performance, with higher cash reserves and operating margins more than double those with a lower percentage of patients in poverty. These results are consistant with the high reimbursement rates for these clients.